

25X1

25X1

DATE DISTR. 29 Dec 1951

NO. OF PAGES 6

NO. OF ENCLS.  
(LISTED BELOW)SUPPLEMENT TO  
REPORT NO.

25X1

25X1

THIS IS UNEVALUATED INFORMATION

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES, WITHIN THE MEANING OF TITLE 18, SECTIONS 793 AND 794, OF THE U.S. CODE, AS AMENDED. ITS TRANSMISSION OR REVELATION OF ITS CONTENTS TO OR RECEIPT BY AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW. THE REPRODUCTION OF THIS FORM IS PROHIBITED.

1. Commodities of particular interest to Czechoslovakia in its trade with Latin America include cotton, copper, lead, industrial diamonds (smuggled from Brazil), coffee, cocoa beans, sisal, henequen and hides. Sisal from Brazil is of particular importance, as it is needed for binding crops. Henequen is important for the same purpose, but is less desirable. Hides are still imported, but are apparently of decreasing importance in Czechoslovakia's foreign trade. The following figures indicate raw materials which Czechoslovakia received from Latin America during 1950:

<u>Commodity</u>	<u>Volume in US \$</u>
Cotton	2,000,000
Hides	20,000,000
Copper Ingots (from US via trans-shipment)	?
Sisal	1,000,000
Wax	1,000,000
Coffee	5,000,000
Cocoa Butter	2,500,000
Tanning Material	6,000,000
Special Woods for Musical Instruments	200,000

2. The volume of Czechoslovakia's trade with Latin America is constantly on the downgrade and can [ ] be expected to diminish further. The CSR can buy in Argentina, Brazil and Uruguay, and these are the main sources of her raw material purchases in Latin America, only if she creates her own balance of credit through deliveries of her own. But

25X1

CLASSIFICATION SECRET

**SECRET**

[illegible]

25X1

25X1

~~SECRET~~

-2-

since the governments of these South American countries are quite reluctant to permit imports, trade is falling off steadily. This is particularly true of trade with Argentina because Czechoslovakia has cut her import of raw hides sharply since 1950. Financial accounts outstanding [redacted] in March 1951 were (figures are approximate):

Owed by Czechoslovakia      to Argentina      US \$15,000,000  
                                  to Brazil            8,000,000  
                                  to Mexico           1,000,000

Owed to Czechoslovakia    by Ecuador            300,000  
     for military equipment purchased in 1938.

The 1951 plan for Czechoslovak trade with Latin America was as follows:

<u>Country</u>	<u>Volume in US \$</u>
Argentina	8,000,000 each way
Czech Imports:	
Hides	6,000,000
Quebracho	1,000,000
Feed meal	500,000
Wool	500,000
Exports:	sewing machines, typewriters, small amount of glass products, cement, tiles, automobiles, paper products, small amount of textiles, bicycles, and minimum amounts of steel construction shapes.

Firms appearing in trade:

IAPI - Argentine Government monopoly  
 Swift & Co - Hides  
 Bunge & Born - Feed Meal  
 Cofa - General exports

Brazil

10,000,000 each way  
 (may subsequently have been raised)

Czech Imports:

Cotton	75%
Coffee	} --- 25%
Cocoa Beans	
Sisal	

~~SECRET~~ 25X1

SECRET [redacted]

-3-

Czech Exports: same as to Argentina, plus  
chemicals

Firms engaged in trade:

Kettelhorn - Hides

Polak, Anton (Czech)

Israel, Leon - Coffee

Venezuela

Exports to Venezuela-2,000,000

Imports from Venezuela-200,000

Czech Imports: cocoa beans, coffee

Czech Exports: military equipment, tires, textiles,  
shoes and some machinery, consumers'  
goods

Mexico

2,000,000 each way,  
plus additional  
Czech exports to  
clear up debt  
(US\$1,000,000).  
The obligation is  
being fulfilled only  
about 50%.

Czech Imports: henequen, wax, coffee, lead, and  
zinc (minimum quantities). No  
copper shipped.

Czech Exports: Same as to Argentina

Uruguay

500,000 each way,  
to be raised to  
1,000,000 if Czech-  
oslovakia gets wool

Czech Imports: Feed meal, hides and possibly wool

Czech Exports: Same as to Argentina

Peru

200,000 each way

Czech Imports: mainly flax

Czech Exports: Same as to Argentina

Colombia & Ecuador

Czech Exports: 400,000 - Very few  
imports

Chile

50-100,000 each way

Wine exchanged for Czech glass. All trade is  
through compensation deals.

SECRET 25X1

SECRET

Paraguay 100,000 each way

Czech Imports: quebracho, leather, tobacco,  
vegetable oils (not linseed)

Czech Exports: light industry products

Guatemala

Czech Imports: only coffee

Czech Exports: 200,000

Details concerning trade with individual Latin American countries is contained in the following paragraphs.

3. In 1948 Czechoslovakia and Argentina concluded a commercial agreement listing goods for trade. As indicated above, at the end of 1950, the clearing bill showed a credit for Argentina. In the years immediately after World War II, trade between the two countries was vigorous, but it started to slow down in 1949. The primary reason for the slowdown was Argentina's reluctance to grant import permits for Czech goods. It will be interesting to see how things develop after 31 Dec 51, the date on which Czechoslovakia is supposed to have paid its debt either in gold or equivalent values. It should be expected, since it is hardly possible that Czechoslovakia would pay according to contract, that Argentina will have to allow a greater import of Czech goods as payment. This would have to consist of "small" goods, however, since a Prague directive of Summer 1950 prohibits shipment to the West of first priority goods unless the exchange value is of extreme importance. Directives in effect in Summer 1950 did not accord Argentina favored treatment in delivery of industrial equipment. [redacted] despite the drop-off in hide shipments mentioned above, Czechoslovak-Argentina trade has increased during recent months. [redacted] never heard, however, that the USSR has directed Argentine Communists to desist from agitating against the Argentina Government because of Argentina's value as a raw materials supplier. [redacted]

4. The trade agreement [redacted] between Czechoslovakia and Brazil was extended in Spring 1950 by adding new lists of goods. In this extension, the Czech debt was divided into five parts, Czechoslovakia agreeing to pay the debt in annual installments of 20%, in goods. Should Czechoslovakia break this agreement, the payment of the debt would have to be made in gold or equivalent "hard" values. Trade with Brazil is considered more important than with Argentina since hides, which used to represent 65-70% of the trade with Argentina, are not so important any more. Like Argentina, Brazil distributes Czech goods slowly on the local market. It is characteristic of Czechoslovakia when trading with the West, especially with Brazil and Argentina, to get herself into the convenient position of being deeply in debt as soon as possible after the closing of a contract. Except for the smuggling of industrial diamonds out of Brazil, no illegal transactions were carried out in the framework of the South American Department of the Ministry of Foreign Trade [redacted]

SECRET

25X1

SECRET

~~SECRET~~

-5-

5. There is no trade agreement between Czechoslovakia and Uruguay, business in recent years having been on the basis of individual agreements between banks, within the limits of credit set by both national banks. The last banking agreement of 1948 should have been extended for 1949 and 1950. This was not done, however, and at the end of 1950, the remaining exchange of goods arranged in accordance with the 1948 agreement was still on the way. Czechoslovakia was not in debt at the end of 1950 since the banking transactions had to be kept even. Uruguay ships mostly wool and fats, whereas Czechoslovakia exports more or less the same items that she does to Argentina. Czechoslovakia has received some wool (mainly TOPS) since January 1950. Shipment was direct.
6. The sluggish exchange between Czechoslovakia and Chile is explained by the interruption of diplomatic relations about four years ago. Since that time only small business transactions have taken place. In 1949, Chilean wine was exchanged for costume jewelry. Chilean copper shipments to Czechoslovakia in 1950 were made through a European country. The quality was 98% wire bars (pallanquillas). In Fall 1950, the firm CHIPRAG of Santiago attempted to deliver copper to the CSR, but its representative got only as far as Vienna. The Santiago firm, Joblinsky & Kobler, is especially interested in extending Czech-Chilean trade; the Czech Government is assisting the firm in its efforts and also receives from it political information.
7. There are no Czech trade agreements with Bolivia and Peru and almost no trade. In the summer and fall of 1949, there was talk of giving mining equipment to Bolivia in return for non-ferrous alloys. The negotiations came to nought at that time because the CSR could not accede to the wishes of the Bolivians. It should be noted that in case the Czech shortage of those nonferrous alloys, produced in Bolivia and Peru should become so great that the political leaders (after consulting Moscow) should consent to making essential deliveries to Bolivia or Peru, one could assume that an agreement might be reached. Trade with Peru has been only in pounds and Peru has delivered mostly flax.
8. Venezuela and Czechoslovakia have no trade agreement. Prior to 1950 there was some sort of "modus vivendi" granting each other the highest possible advantages. On the initiative of the Venezuelan Government, the validity of the arrangement was abolished in 1951. Czechoslovakia is understandably interested in Venezuelan trade because of the dollars involved and the turnover in 1949 and 1950 was quite large, about 90% of the trade going from Czechoslovakia to Venezuela.

25X1

SECRET

~~SECRET~~

9. A 1948-49 agreement between Mexico and Czechoslovakia contained an unlimited list of goods. By the end of 1950, Czechoslovakia had a considerable debt to Mexico; the sum has not changed, as the Czech National Bank accepts free dollars for goods sent abroad and the Mexican National Bank has no means of persuading the independent business men to pay through the final clearing bill. The yearly turnover is not significant: Mexico recently has exported only small quantities of vegetables, wax and other very small items; and Czech delivery is limited to such traditional light industry items as cars, glass and costume jewelry.
10. There are trade agreements between Czechoslovakia and Colombia, Ecuador and the Central American republics; trade is very weak, though Czechoslovakia should be interested in gaining these markets.
11. Czechoslovakia has no trade agreement with Paraguay and business is through compensation deals.
12. Shipment to and from Latin American countries was in Polish ships wherever possible, and otherwise by cheapest carrier. The Brazilian agreement provides for the use of Brazilian vessels for exports, but the agreement is not closely followed in this respect.

-end-

SECRET

25X1

SECRET